Traffic Pumping Arbitrage

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- ❖ Multiple per-minute intercarrier compensation rates based on jurisdiction and network architecture create arbitrage and gaming opportunities

- ❖ Long-term solution is to develop single unified default rate for all carriers and jurisdictions of traffic

- ❖ Interim remedy must be narrowly tailored and reasonably related to the problem

  - Focus on practices that advantage one carrier over another, rather than practices that are not in and of themselves unreasonable

Rural exemption leads to traffic pumping arbitrage

Exploitation of rural exemption is the unjust and unreasonable practice that violates §§ 201 & 202

❖ *NOT*:

- Traffic imbalances or high volumes (which result from legitimate business plans and customers)

- Revenue sharing (which broadly encompasses valid marketing arrangements and customer discounts)

- Free chat line or other services provided to end users (which benefit consumers)

Traffic Pumping Arbitrage =

Claiming rural exemption and charging termination rates based on low historical traffic volumes

AND THEN

not decreasing termination rates when traffic volumes increase significantly

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- Policy rationale for rural exemption was to subsidize costs for these carriers with lower traffic volumes typically due to fewer customers per switch

- FCC should establish threshold of average MOUs per loop above which carriers cannot claim rural exemption

❖ Require any carrier (ILEC or CLEC) that has filed tariffs claiming rural exemption to certify quarterly that its average MOUs per loop is at or below FCC-established threshold

❖ If average MOUs are above threshold, carrier must:

- Forfeit rural exemption claim for at least 1 year
- File new tariff within 30 days with rates capped at those of competing non-rural ILEC in the state